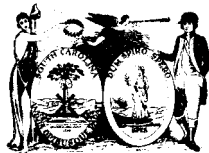


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

September 12, 2001

Mr. Frank Sinicrope, Chief Financial Officer
Chester County Hospital and Nursing Center
1 Medical Park Drive
Box 56
Chester, South Carolina 29706

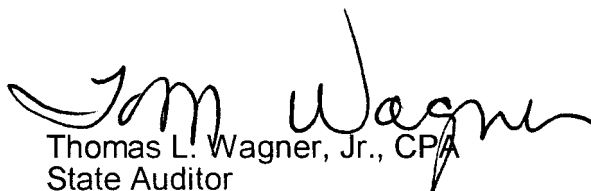
Re: AC# 3-CHE-J6 – Chester County Hospital, Inc. d/b/a Chester County Nursing Center

Dear Mr. Sinicrope:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract period beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER**

CHESTER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1997
AC# 3-CHE-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 12, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chester County Hospital, Inc. d/b/a Chester County Nursing Center, for the contract period beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

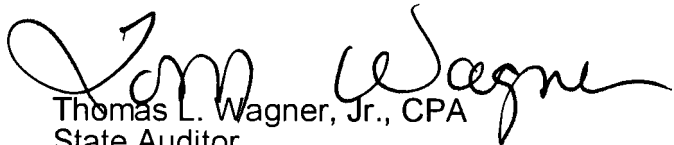
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chester County Hospital, Inc. d/b/a Chester County Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chester County Hospital, Inc. d/b/a Chester County Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 12, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 1997
AC# 3-CHE-J6

10/01/97-
09/30/98

Interim reimbursement rate (1)	\$84.59
Adjusted reimbursement rate	<u>82.95</u>
Decrease in reimbursement rate	\$ <u><u>1.64</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1997 Through September 30, 1998
AC# 3-CHE-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 63.61	\$39.90	
Dietary		15.17	9.01	
Laundry/Housekeeping/Maint.		<u>10.26</u>	<u>7.38</u>	
Subtotal	\$ <u>-</u>	89.04	56.29	\$56.29
Administration & Med. Rec.	\$ <u>-</u>	<u>12.18</u>	<u>9.20</u>	<u>9.20</u>
Subtotal		101.22	<u>\$65.49</u>	65.49
<u>Costs Not Subject to Standards:</u>				
Utilities		2.98		2.98
Special Services		-		-
Medical Supplies & Oxygen		1.62		1.62
Taxes and Insurance		.41		.41
Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		<u>\$106.33</u>		70.60
Inflation Factor (4.40%)				3.11
Cost of Capital				9.86
Cost of Capital Limitation				(1.12)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$82.95</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-CHE-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,319,960	\$ -	\$ 18,165 (1)	\$2,301,795
Dietary	537,428	11,401 (1)	-	548,829
Laundry	59,910	-	2,309 (1)	57,601
Housekeeping	148,012	-	576 (1)	147,436
Maintenance	133,630	32,669 (1)	-	166,299
Administration & Medical Records	401,174	39,714 (1)	-	440,888
Utilities	131,448	-	23,576 (1)	107,872
Special Services	-	-	-	-
Medical Supplies & Oxygen	54,439	4,173 (1)	-	58,612
Taxes & Insurance	29,690	-	14,776 (1)	14,914
Legal Fees	-	3,719 (1)	-	3,719
Cost of Capital	<u>336,923</u>	<u>52,095</u> (2)	<u>32,169</u> (1)	<u>356,849</u>
Subtotal	4,152,614	143,771	91,571	4,204,814

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1996
AC# 3-CHE-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	2,347	-	636 (1)	1,711
Non-Allowable	109,828	-	60,722 (1)	(2,989)
	<u> </u>	<u> </u>	<u>52,095 (2)</u>	<u> </u>
Total Operating Expenses	<u>\$4,264,789</u>	<u>\$143,771</u>	<u>\$205,024</u>	<u>\$4,203,536</u>
Total Patient Days	<u>35,759</u>	<u>426 (3)</u>	<u>-</u>	<u>36,185</u>
TOTAL BEDS	<u>100</u>			

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-CHE-J6

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Dietary	\$ 11,401	
	Maintenance	32,669	
	Administration	39,714	
	Medical Supplies	4,173	
	Legal	3,719	
	Other Equity	61,253	
	General Services		\$ 18,165
	Laundry		2,309
	Housekeeping		576
	Utilities		23,576
	Taxes and Insurance		14,776
	Cost of Capital		32,169
	Ancillary		636
	Nonallowable		60,722
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	52,095	
	Nonallowable		52,095
	To adjust capital return State Plan, Attachment 4.19D		
3	<u>Memo Adjustment:</u> To increase total patient days by 426 from 35,759 to 36,185 days HIM-15-1, Section 2300		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$205,024	\$205,024

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-CHE-J6

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>62</u>	<u>38</u>	
Deemed Asset Value	2,047,364	1,254,836	
Improvements Since 1981	396,496	19,602	
Accumulated Depreciation at 9/30/96	<u>(924,491)</u>	<u>(677,510)</u>	
Deemed Depreciated Value	1,519,369	596,928	
Market Rate of Return	<u>.070</u>	<u>.070</u>	
Total Annual Return	106,356	41,785	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	106,356	41,785	
Depreciation Expense	186,358	66,601	
Amortization Expense	-	-	
Capital Related Income Offsets	(27,436)	(16,815)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	265,278	91,571	\$356,849
Total Patient Days (Actual Days)	<u>22,435</u>	<u>13,750</u>	<u>36,185</u>
Cost of Capital Per Diem	\$ <u>11.82</u>	\$ <u>6.66</u>	\$ <u>9.86</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1996
AC# 3-CHE-J6

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$ 6.02	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$10.01</u>	<u>\$6.66</u>
Reimbursable Cost of Capital Per Diem*		\$ 8.74
Cost of Capital Per Diem		<u>9.86</u>
Cost of Capital Per Diem Limitation		\$ <u>(1.12)</u>

*[(10.01 X 22,435) + 91,571]/36,185

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